



United States
Office of
Personnel Management Washington, DC 20415-0001

May 30, 2003

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: KAY COLES JAMES
Director

SUBJECT: Decreases in Federal Tax Rate Withholding Brackets

On May 28, 2003, President Bush signed the "Jobs and Growth Tax Relief Reconciliation Act of 2003," which will bring substantial tax relief to 136 million American taxpayers, including more than two million Federal civilian employees worldwide. Among its provisions, the Act provides for decreases in Federal tax rate withholding brackets retroactive to January 2003. As the payroll providers of most civilian Federal employees, you now have the opportunity and responsibility to ensure that the increase in take-home pay is available to all employees as soon as possible, thus contributing to our Nation's economic growth.

The Internal Revenue Service (IRS) has published "Early Release Copies of New Income Tax Withholding Tables" in Notice 1036 (Rev. May 2003), which are available on the IRS Web site at <http://www.irs.gov/pub/irs-pdf/n1036.pdf>. The 2003 biweekly income tax withholding tables will be available at <http://www.irs.gov> in the near future. IRS does not expect to mail printed copies of the new tax tables (Publication 15-T) until the third week in June 2003, and has directed that the new tax tables must be implemented no later than July 1, 2003.

As the Nation's major employer, it is imperative that the Federal Government lead the way in implementing the new tax changes as prescribed by IRS in an expeditious manner. I am confident that you will take every action possible to successfully implement these changes without delay.

The 2003 biweekly income tax withholding tables included in the booklet, "Salary Tables for 2003," do not reflect the new Federal tax rate withholding brackets. The publication was being printed when the new law was enacted. Agencies must refer to IRS' Web site at www.irs.gov to obtain the new 2003 Federal tax rate withholding brackets. As other issues arise and technical matters are addressed, OPM will provide additional guidance to you.